

**COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY**

Subject

Fund Balance and Reserves

**Policy
Number**

B-71

Page

1 of 2

Purpose

To establish guidelines regarding the use of fund balance and the maintenance of reserves that will help to protect the fiscal health and stability of the County.

Background

The County provides a wide variety of services that are funded by a number of revenue sources. Expenditures for these services are subject to fluctuations in demand; revenues are influenced by changes in the economy and budgetary decisions made by the State of California and the federal government. The County must be prepared for unforeseen events that could result in additional expenditure requirements or loss of revenue by establishing and maintaining prudent levels of fund balance and reserves.

Policy

It is the policy of the Board of Supervisors that the County maintain fund balances and reserves in the General Fund as follows:

1. *General Reserve*: The General Reserve shall be targeted at the equivalent of 5% of budgeted general purpose revenues. The establishment of this reserve is governed by Government Code §29085-29086. The amount of the reserve may be increased or decreased at the time the budget is adopted, but once the budget is adopted, it may only be used for legally declared emergencies as defined in Government Code §29127.
2. *General Fund Contingency*: The General Fund appropriated Contingency Reserve shall be targeted at the equivalent of 2% of budgeted general purpose revenues. The Contingency Reserve provides a source of funding for unanticipated needs or to offset revenue shortfalls during the year. Transfers from the Contingency Reserve require a 4/5ths vote of the Board.
3. *General Fund Unappropriated, Unreserved, Undesignated Fund Balance*: The maintenance level for the General Fund unappropriated, unreserved, undesignated fund balance shall be targeted at the equivalent of 10% of the budgeted general purpose revenues. To the extent that it exceeds the 10% target, the Chief Administrative Officer may recommend the appropriation of these funds for one time purposes. The recommendations may appear in the CAO Proposed Operational Plan or as an agenda item for a regularly scheduled meeting of the Board.
4. *Management Reserves*: There shall be no targeted level for management reserves. These reserves are appropriations that may be held at either the group or department level for unforeseen needs or one-time purposes that enhance or support services provided by the group or department. These reserves may be established as part of the budget development process or through mid-year budget adjustments approved by the Board. Establishment of management reserves shall not be permitted if the action would result in the unappropriated, unreserved, undesignated fund balance falling below the targeted level.
5. *Designated Fund Balance*: The Board may from time to time approve the designation of fund balance for specific purposes. With the exception of fund balance designations that are established because of restrictions on the use of certain revenues (e.g., those generated by services provided by

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Page

2 of 2

the departments of Planning and Land Use and Environmental Health), such designations shall not be approved if they would cause the unappropriated, unreserved, undesignated fund balance to fall below the targeted level.

6. *Waiving the targeted levels:* The Board may waive the requirement to maintain the reserves and unappropriated, unreserved, undesignated fund balance at the targeted levels if it finds that it is in the best interest of the residents of the County to so do.
7. *Restoration of Reserves and Unappropriated Fund Balance:* In the event that the General Reserve, Contingency Reserve or unappropriated, unreserved, undesignated fund balance falls below targeted levels, the Chief Administrative Officer will present a plan to the Board for restoration of those levels.

Responsible Departments

1. Chief Financial Officer

Sunset Date

This policy will be reviewed for continuance by 12-31-2012.

References

Board Action 4-24-07 (13)